

9 questions to ask to improve your chances of getting business finance

Issued by [Business Partners Limited](#)

17 Jan 2023

To anyone doubting the availability of finance for South African business owners, consider this: Business Partners Limited has provided business loans totalling R19.5bn in over 71,600 transactions with business owners since its start in 1981, totalling R19.5bn worth of finance.



Jeremy Lang, chief investment officer at Business Partners Ltd

"Finance is clearly available, but entrepreneurs have to meet certain criteria to access these business loans. They also have to follow processes set out by each financier," says Jeremy Lang, chief investment officer at Business Partners Ltd.

"The key is to understand the financier you are applying to and the extent to which your business fits their client profile. When applying at Business Partners Ltd for finance," says Jeremy, "a good place to start is to work through the following questions to gauge and improve your chances."

1. Who are Business Partners Ltd and its target market?

Business Partners Ltd is a company that specialises in providing risk finance to small and medium businesses in South Africa and in certain other African countries.

Unlike many other financial institutions, it is focused solely on servicing small and medium businesses. It does not, for example, give out personal loans or finance the big-business sector. 'Risk finance' means that Business Partners Ltd does not necessarily disqualify businesses that do not have enough collateral to cover the whole loan, depending on the strength of the business.

Apart from finance, Business Partners Ltd also provides technical assistance to its clients as well as mentoring services and owns many business premises throughout South Africa which it rents out to small and medium businesses.

2. What kind of finance does Business Partners Ltd provide?

Business Partners Ltd loan sizes range from R500,000 to R50m, and include working-capital finance, business property finance, asset finance, as well as finance for buying a business, buying out a partner, or buying a franchise. The company is unique in that it regularly provides 100% finance for businesses that want to buy premises to trade from, thereby helping growing businesses to keep valuable working capital in their business instead of having to fork it out as a deposit.

3. What industries and sectors does Business Partners Ltd operate in?

Business Partners Ltd would consider applications from businesses in all industries except the following:

- Outdoor primary agriculture. Because of the risk of adverse weather conditions, Business Partners Ltd avoids financing outdoor farming operations. However, indoor farming, hydroponics and tunnel farming do qualify, as well as the factory processing of farming produce
- Underground mining operations
- Non-profit organisations
- Money-lending businesses.

Except for these exclusions, Business Partners Ltd does not red-line whole industries at times when they go through a slump. Each application is considered on its own merit.

Because the Business Partners Ltd evaluation process relies heavily on up-to-date verifiable financial information about the applying business, it cannot finance businesses in the informal sector. If your business operates informally to a certain extent, you will first need to hire expertise to set up formal systems in your operations for at least a year or two before applying to Business Partners Ltd.

4. What does Business Partners Ltd look for in an applicant?

There are three broad elements that Business Partners Ltd considers with each applicant:

1. The calibre of the entrepreneurs behind the business. Business Partners Ltd will look at the qualifications, experience, and involvement of the business owner.
2. The cashflow viability of the business. Are the revenues of the business such that it would be able to realistically afford the repayments of the loan and still be viable?
3. The financial risk of the loan for Business Partners Ltd. How much of the loan will not be covered by the collateral provided by the business?

It is the combination of these three main elements that determines whether a loan will be approved for finance by Business Partners Ltd or not.

5. What are the main reasons for turning down a finance application?

Most unsuccessful applications are turned down because the business is not viable, in other words, it will probably not make enough money to repay the loan and still be profitable. Another common reason is a bad credit score on the part of the business or the entrepreneur behind the business. One or two defaults in the record may not be disqualifying, provided the circumstances can be explained, but serial defaults will disqualify the application. High gearing of a business, in other words high levels of existing debt can also lead to the application being rejected.

6. Are there any other red flags that Business Partners Ltd looks out for?

Business Partners Ltd is wary of approving a loan when the information that a business provides is inconsistent, for example when the sales records do not correspond with the annual financial statements. Incomplete or outdated annual financial statements or management accounts are also stark warning signals.

Another red flag is unrealistic sales projections. Make sure your estimates of future sales and expenses are explainable, and generally in line with what reasonably can be expected in the market.

7. And what are the good signs that give Business Partners Ltd comfort?

Apart from a solid track record of making good profits - at least two years is a good rule of thumb - Business Partners Ltd also puts great store in the entrepreneur behind the business, specifically:

- Are you committed to the business? It is a good sign if the owners have invested their own capital in the business and are involved in the running of the business.
- The technical knowledge of the entrepreneur relating to the industry in which the business operates, and their understanding of the market and their customers.
- The integrity of the business owners, reflected in their reputation, their relationships with their stakeholders such as their suppliers, workers and customers, and their practices such as tax compliance.
- The owners' passion and enthusiasm for what they are doing and for growing the business.
- Good sustainable practices such as trying to minimise environmental impact and promote staff development.

8. How can you increase your chances of getting finance even further?

The level of commitment and business prowess of the entrepreneur are often apparent in the application. Invest the time and energy in preparing and checking the accuracy and relevance of the application and its supporting documents.

The involvement of high-quality professional practitioners such as accountants and lawyers also enhance the chances of your application.

9. How does the application process work?

A basic application form can be completed online via the Business Partners Ltd website. This must be filled in accurately and submitted with all the relevant supporting documentation. The application will go to an investment officer who will do an initial assessment. Business Partners Ltd commits to giving an applicant an initial, in-principal decision within a week of applying.

If the answer is a tentative yes, the investment officer will conduct a thorough due diligence process which will include meetings with the owners and site visits to the operations of the business. Information submitted in the application will be checked and verified. It is difficult to place a timeline on the due diligence process because it depends on the complexity of the business and the availability of all relevant information.

Once the due diligence process is complete, the report will be submitted to a Business Partners Ltd investment committee, which meets once a week. If your application is not approved at any point in the process, Business Partners Ltd will explain to you the reasons for turning it down.

" New SME survey results reveal upcoming national elections a deep concern for SA small business owners

25 Apr 2024

" 30 years on, entrepreneurs are making the most of SA's enduring miracle 24 Apr 2024

" 3 ways SME owners can cultivate a culture of human-rights in their businesses 25 Mar 2024

" SA entrepreneurship event sheds light on the need and the value of women in business 14 Mar 2024

" 4 ways to turn your business idea into a thriving business 12 Mar 2024

Business Partners Limited



We're Business Partners Limited, one of the leading business financiers for viable small and medium enterprises (SMEs) in the world. We provide business finance ranging from R500 000 to R50 million to established entrepreneurs with a viable formal business.

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [Facebook](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>